



SERIAL SYSTEM LTD
新暉科技有限公司

(Company Registration No. 199202071D)
(Incorporated in Singapore)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF A PROPOSED ACQUISITION OF 100% EQUITY INTERESTS IN CONTRACT STERILIZATION SERVICES PTE LTD

The Board of Directors of Serial System Ltd (the “**Company**”) wishes to announce that its wholly-owned Singapore subsidiary, SCE Enterprise Pte Ltd (“**SCE**”) has entered into a Memorandum of Understanding (“**MOU**”) on 4 December 2010 with the shareholders of Contract Sterilization Services Pte Ltd (“**CSS**”), a company incorporated in Singapore, in relation to the proposed acquisition of 100% equity interests in CSS (“the **Acquisition**”). The principal activities of CSS are the assembly and distribution of medical devices and ethylene oxide sterilization.

The principal terms of the Acquisition as set out in the MOU are subject to the terms and conditions to be agreed and set out in the agreement(s) to be entered into between the parties (the “**Definitive Agreements**”).

Salient Terms of the MOU

- a. The aggregate purchase consideration for the Acquisition is agreed at S\$3,000,000 subject to the satisfactory completion of the financial and legal due diligence to be conducted. An initial deposit of S\$300,000 shall be payable into an escrow account upon the signing of the MOU. This deposit will be deducted from the purchase consideration upon the completion of the Acquisition.
- b. The existing shareholders of CSS jointly and severally warrant and undertake to SCE that CSS will achieve audited net profit before tax of not less than S\$800,000 (“Guaranteed NPBT”) for the financial year ended 30 September 2010;
- c. The existing shareholders of CSS jointly and severally warrant and undertake to SCE that the net assets of CSS at the date of transfer will not be less than S\$900,000;
- d. Mr James Tan, an existing shareholder and director of CSS, shall be retained as a consultant for the provision of technical advice, maintaining of existing markets, and developing and growing new markets. His appointment for a duration of 3 years will be based on the following terms:

Year 1: 1st half year, on a full time basis and 2nd half year, on a part time basis

Year 2: Once a week

Year 3: Twice a month

- e. CSS shall procure the existing relevant key executives of CSS requested by SCE to enter into service agreements in respect of their employment with CSS, on such terms and conditions to be agreed between SCE and CSS;
- f. The existing shareholders of CSS shall be responsible for relocation of its existing production center to a new production area equivalent to the size of its existing production center, without any changes to its standard requirements which are currently in used;
- g. Both parties agree that in the event that all requirements and conditions stipulated in the MOU and or subsequently included by mutual agreement between the parties, have been satisfied, the party who default by withdrawing from the Acquisition, unless it is withdrawal required by law or statute, will have to compensate the other party a sum of S\$300,000 as full and final settlement for the default;
- h. The MOU and Definitive Agreements shall be governed by the laws of Singapore.

Execution of Definitive Agreements

Subject to satisfactory completion of the financial and legal due diligence by the Company, the Definitive Agreements shall be executed not later than 31 March 2011, failing which, the MOU shall be automatically terminated and neither party shall have any claims whatsoever against the other thereafter.

Shareholders should note that none of the Parties are under any legal obligation to undertake the Acquisition until such time as the Definitive Agreements are negotiated, mutually executed and delivered.

Further Announcements

Further announcements on this transaction will be made in due course in the event that the Definitive Agreements are signed, and as and when appropriate.

Documents for Inspection

A copy of the MOU is available for inspection at the Company's registered office at 8 Ubi View #05-01 Serial System Building Singapore 408554 for three months from the date of this Announcement.

BY ORDER OF THE BOARD

Dr Derek Goh Bak Heng
Executive Chairman/ Group CEO

6 December 2010